

*Township of Waverly*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2008*

---

## CONTENTS

---

	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - governmental funds	6
Statement of revenues, expenditures, and changes in fund balances - governmental funds	7
Statement of net assets- proprietary fund	8
Statement of revenues, expenses, and changes in fund net assets - proprietary fund	9
Statement of cash flows - proprietary fund	10
Statement of fiduciary net assets - agency funds	11
Notes to financial statements	12 - 17
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedules:	
General Fund	18 - 19
Fire Fund	20
Road Fund	21

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Township of Waverly, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Waverly, Michigan, as of March 31, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Waverly, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Waverly, Michigan, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Waverly, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Siegfried Crandall P.C.*

August 24, 2008



## **BASIC FINANCIAL STATEMENTS**

**Township of Waverly**  
**STATEMENT OF NET ASSETS**  
*March 31, 2008*

	<u><b>Governmental activities</b></u>	<u><b>Business-type activities</b></u>	<u><b>Totals</b></u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 586,050	29,693	615,743
Receivables, net	<u>63,403</u>	<u>-</u>	<u>63,403</u>
Total current assets	<u>649,453</u>	<u>29,693</u>	<u>679,146</u>
Noncurrent assets:			
Capital assets not being depreciated	28,317	-	28,317
Capital assets, net of accumulated depreciation	<u>607,463</u>	<u>86,764</u>	<u>694,227</u>
Total noncurrent assets	<u>635,780</u>	<u>86,764</u>	<u>722,544</u>
Total assets	<u>1,285,233</u>	<u>116,457</u>	<u>1,401,690</u>
<b>LIABILITIES</b>			
Current liabilities - payables	<u>925</u>	<u>-</u>	<u>925</u>
<b>NET ASSETS</b>			
Invested in capital assets	635,780	86,764	722,544
Restricted:			
Public safety	234,064	-	234,064
Public works	-	29,693	29,693
Unrestricted	<u>414,464</u>	<u>-</u>	<u>414,464</u>
Total net assets	<u>\$ 1,284,308</u>	<u>\$ 116,457</u>	<u>\$ 1,400,765</u>

See notes to financial statements

**Township of Waverly**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2008

---

		<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>
	<u>Expenses</u>		
<b>Functions/Programs</b>			
Governmental activities:			
Legislative	\$ 5,040	\$ -	\$ -
General government	137,554	27,739	-
Public safety	72,979	105,944	-
Public works	74,797	212	3,510
Health and welfare	3,000	-	-
Community and economic development	<u>11,236</u>	<u>300</u>	<u>-</u>
Total governmental activities	304,606	134,195	3,510
Business-type activities:			
Sewer	<u>11,228</u>	<u>9,008</u>	<u>-</u>
Totals	<u>\$ 315,834</u>	<u>\$ 143,203</u>	<u>\$ 3,510</u>

General revenues:  
Property taxes  
Franchise fees  
State grants  
Investment income

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

---

**Net (expenses) revenues and changes in net assets**

<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Totals</u></b>
\$ (5,040)		\$ (5,040)
(109,815)		(109,815)
32,965		32,965
(71,075)		(71,075)
(3,000)		(3,000)
<u>(10,936)</u>		<u>(10,936)</u>
 <u>(166,901)</u>		 <u>(166,901)</u>
	\$ <u>(2,220)</u>	<u>(2,220)</u>
<u>(166,901)</u>	<u>(2,220)</u>	<u>(169,121)</u>
 143,625	-	143,625
3,013	-	3,013
188,031	-	188,031
<u>25,610</u>	<u>1,403</u>	<u>27,013</u>
 <u>360,279</u>	 <u>1,403</u>	 <u>361,682</u>
 193,378	(817)	192,561
<u>1,090,930</u>	<u>117,274</u>	<u>1,208,204</u>
 <u>\$ 1,284,308</u>	 <u>\$ 116,457</u>	 <u>\$ 1,400,765</u>

See notes to the financial statements

**Township of Waverly**  
**BALANCE SHEET - governmental funds**  
 March 31, 2008

---

	<u>General</u>	<u>Fire</u>	<u>Road</u>
<b>ASSETS</b>			
Cash	\$ 361,194	\$ 224,399	\$ -
Receivables	<u>43,145</u>	<u>9,208</u>	<u>11,050</u>
Total assets	<u>\$ 404,339</u>	<u>\$ 233,607</u>	<u>\$ 11,050</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities - payables	<u>\$ 925</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Unreserved	403,414	233,607	11,050
Unreserved - presented in nonmajor special revenue fund	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>403,414</u>	<u>233,607</u>	<u>11,050</u>
Total liabilities and fund balances	<u>\$ 404,339</u>	<u>\$ 233,607</u>	<u>\$ 11,050</u>

Total fund balances

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Net assets of *governmental activities*



---

<i><b>Nonmajor governmental fund</b></i>	<i><b>Total governmental funds</b></i>
\$ 457	\$ 586,050
-	63,403
<u>\$ 457</u>	<u>\$ 649,453</u>
 \$ -	 \$ 925
-	648,071
<u>457</u>	<u>457</u>
<u>457</u>	<u>648,528</u>
<u>\$ 457</u>	<u>\$ 649,453</u>
	\$ 648,528
	 635,780
	<u>\$ 1,284,308</u>

See notes to financial statements

**Township of Waverly**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**

***governmental funds***

*Year ended March 31, 2008*

	<u>General</u>	<u>Fire</u>	<u>Road</u>	<u>Nonmajor governmental fund</u>	<u>Total governmental funds</u>
<b>REVENUES</b>					
Taxes	\$ 53,807	\$ -	\$ 104,652	\$ -	\$ 158,459
Licenses and permits	23,176	-	-	-	23,176
State grants	191,541	-	-	-	191,541
Charges for services	13,072	-	-	-	13,072
Interest and rentals	25,610	-	-	-	25,610
Other	45	86,081	-	-	86,126
Total revenues	<u>307,251</u>	<u>86,081</u>	<u>104,652</u>	<u>-</u>	<u>497,984</u>
<b>EXPENDITURES</b>					
Legislative	5,040	-	-	-	5,040
General government	133,545	-	-	-	133,545
Public safety	20,947	51,317	-	715	72,979
Public works	3,100	-	221,639	-	224,739
Health and welfare	3,000	-	-	-	3,000
Community and economic development	11,236	-	-	-	11,236
Capital outlay	268	-	-	-	268
Total expenditures	<u>177,136</u>	<u>51,317</u>	<u>221,639</u>	<u>715</u>	<u>450,807</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>130,115</u>	<u>34,764</u>	<u>(116,987)</u>	<u>(715)</u>	<u>47,177</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers to Road Fund	<u>(100,026)</u>	<u>-</u>	<u>100,026</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>30,089</u>	<u>34,764</u>	<u>(16,961)</u>	<u>(715)</u>	<u>47,177</u>
<b>FUND BALANCES - BEGINNING</b>	<u>373,325</u>	<u>198,843</u>	<u>28,011</u>	<u>1,172</u>	<u>601,351</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 403,414</u>	<u>\$ 233,607</u>	<u>\$ 11,050</u>	<u>\$ 457</u>	<u>\$ 648,528</u>
Net change in fund balances - total governmental funds					\$ 47,177
Amounts reported for <i>governmental activities</i> in the statement of activities (page 5) are different because:					
Capital assets:					
Capital outlay					161,228
Provision for depreciation					(15,027)
Change in net assets of <i>governmental activities</i>					<u>\$ 193,378</u>

*See notes to financial statements*

*Township of Waverly*  
**STATEMENT OF NET ASSETS - proprietary fund**  
*March 31, 2008*

---

	<u>Sewer</u>
<b>ASSETS</b>	
Cash	\$ 29,693
Capital assets, net	<u>86,764</u>
 Total assets	 <u>116,457</u>
 <b>NET ASSETS:</b>	
Invested in capital assets	86,764
Unrestricted	<u>29,693</u>
 Total net assets	 <u>\$ 116,457</u>

*See notes to financial statements*

***Township of Waverly***

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
*proprietary fund***

*Year ended March 31, 2008*

---

	<u>Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for services	<u>\$ 9,008</u>
<b>OPERATING EXPENSES</b>	
Salaries and fringe benefits	510
Contracted services	4,330
Repairs and maintenance	2,965
Depreciation	<u>3,423</u>
Total operating expenses	<u>11,228</u>
<b>OPERATING LOSS</b>	(2,220)
<b>NON OPERATING REVENUES</b>	
Interest	<u>1,403</u>
<b>CHANGE IN NET ASSETS</b>	(817)
<b>NET ASSETS - BEGINNING</b>	<u>117,274</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 116,457</u></u>

*See notes to financial statements*

**Township of Waverly**  
**STATEMENT OF CASH FLOWS - proprietary fund**  
Year ended March 31, 2008

	<u>Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 9,008
Payments to employees	(510)
Payments to suppliers	<u>(7,472)</u>
Net cash provided by operating activities	1,026
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	<u>1,403</u>
<b>NET INCREASE IN CASH</b>	2,429
<b>CASH - BEGINNING</b>	<u>27,264</u>
<b>CASH - ENDING</b>	<u><u>\$ 29,693</u></u>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>	
Operating loss	\$ (2,220)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	3,423
Decrease in payables	<u>(177)</u>
Net cash provided by operating activities	<u><u>\$ 1,026</u></u>

See notes to financial statements

***Township of Waverly***  
**STATEMENT OF FIDUCIARY NET ASSETS - *agency funds***  
*March 31, 2008*

---

**ASSETS**

Cash	\$ <u>1,401</u>
------	-----------------

**LIABILITIES**

Payables	\$ <u>1,401</u>
----------	-----------------

*See notes to financial statements*

***Township of Waverly***  
**NOTES TO FINANCIAL STATEMENTS**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Waverly, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

**Township of Waverly**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township's fire protection. Revenues are derived from property taxes.

The Road Fund accounts for the financial resources used for the operational costs of the Township's road infrastructure. Revenues are primarily derived from property taxes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.



**Township of Waverly**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (continued):*

*iii) Capital assets (continued)* - Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 10 years
Roads	40 - 50 years

*iv) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*v) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had the following significant budget variation:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Transfer to Road Fund	\$ 96,756	\$ 100,026	\$ (3,270)

**NOTE 3 - CASH AND INVESTMENTS:**

The Township's cash and investments are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	\$ 586,050	\$ 29,693	\$ 1,401	\$ 617,144

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

***Township of Waverly***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 3 - CASH AND INVESTMENTS (Continued):**

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2008, \$534,404 of the Township's bank balances of \$639,792 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Taxes / assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 8,861	\$ 6,381	\$ 27,903	\$ 43,145
Fire	-	9,208	-	9,208
Road	-	11,050	-	11,050
Totals	<u>\$ 8,861</u>	<u>\$ 26,639</u>	<u>\$ 27,903</u>	<u>\$ 63,403</u>

All receivables are considered fully collectible, and all are due within one year.

***Township of Waverly***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2008, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 28,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,317</u>
Capital assets being depreciated:				
Buildings	100,146	-	-	100,146
Equipment	6,792	-	-	6,792
Infrastructure	<u>405,722</u>	<u>161,228</u>	<u>-</u>	<u>566,950</u>
Subtotal	<u>512,660</u>	<u>161,228</u>	<u>-</u>	<u>673,888</u>
Less accumulated depreciation for:				
Buildings	(35,719)	(3,330)	-	(39,049)
Equipment	(566)	(679)	-	(1,245)
Infrastructure	<u>(15,113)</u>	<u>(11,018)</u>	<u>-</u>	<u>(26,131)</u>
Subtotal	<u>(51,398)</u>	<u>(15,027)</u>	<u>-</u>	<u>(66,425)</u>
Total capital assets being depreciated, net	<u>461,262</u>	<u>146,201</u>	<u>-</u>	<u>607,463</u>
Governmental activities capital assets, net	<u>\$ 489,579</u>	<u>\$ 146,201</u>	<u>\$ -</u>	<u>\$ 635,780</u>
Business-type activities:				
Capital assets being depreciated - sewer system	\$ 171,151	\$ -	\$ -	\$ 171,151
Less accumulated depreciation for - sewer system	<u>(80,964)</u>	<u>(3,423)</u>	<u>-</u>	<u>(84,387)</u>
Business-type activities capital assets, net	<u>\$ 90,187</u>	<u>\$ (3,423)</u>	<u>\$ -</u>	<u>\$ 86,764</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 4,009
Public works	<u>11,018</u>
Total	<u>\$ 15,027</u>

***Township of Waverly***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

---

**NOTE 6 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 7 - INTERFUND TRANSFERS:**

The General Fund transferred \$100,026 to the Road Fund in support of certain road project costs.

**NOTE 8 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended March 31, 2008, follows:

Revenues	\$ 19,863
Expenses	<u>(19,863)</u>
Excess of revenues over expenses	<u>\$ -</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**Township of Waverly**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 61,269	\$ 54,724	\$ 53,807	\$ (917)
Licenses and permits	25,400	25,000	23,176	(1,824)
State grants	191,800	187,827	191,541	3,714
Charges for services	11,762	6,805	13,072	6,267
Interest and rentals	18,000	12,000	25,610	13,610
Other	2,500	2,500	45	(2,455)
Total revenues	<u>310,731</u>	<u>288,856</u>	<u>307,251</u>	<u>18,395</u>
<b>EXPENDITURES</b>				
Legislative	<u>6,480</u>	<u>6,480</u>	<u>5,040</u>	<u>1,440</u>
General government:				
Supervisor	13,500	10,492	9,932	560
Election	5,700	5,000	2,110	2,890
Assessor	15,978	17,078	16,410	668
Clerk	16,665	16,665	15,966	699
Board of Review	4,060	4,060	3,881	179
Treasurer	24,466	23,348	23,762	(414)
Hall and grounds	14,642	11,242	6,838	4,404
Cemetery	9,300	9,304	8,349	955
Other	51,100	51,900	46,297	5,603
Total general government	<u>155,411</u>	<u>149,089</u>	<u>133,545</u>	<u>15,544</u>
Public safety:				
Fire Board	756	756	749	7
Hazardous waste control	750	750	335	415
Building inspections	20,500	20,678	19,863	815
Total public safety	<u>22,006</u>	<u>22,184</u>	<u>20,947</u>	<u>1,237</u>

**Township of Waverly**

**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Public works:				
Street lights	\$ 2,000	\$ 2,000	\$ 2,355	\$ (355)
Transit	500	500	-	500
Weed control	3,800	89	322	(233)
Blight control	4,000	6,000	-	6,000
Drains	<u>2,000</u>	<u>2,000</u>	<u>423</u>	<u>1,577</u>
Total public works	<u>12,300</u>	<u>10,589</u>	<u>3,100</u>	<u>7,489</u>
Health and welfare - Quick Response	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Community and economic development - planning and zoning	<u>15,179</u>	<u>19,753</u>	<u>11,236</u>	<u>8,517</u>
Recreation and culture - parks and recreation	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
Capital outlay	<u>2,600</u>	<u>100</u>	<u>268</u>	<u>(168)</u>
Total expenditures	<u>217,076</u>	<u>211,295</u>	<u>177,136</u>	<u>34,159</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	93,655	77,561	130,115	52,554
<b>OTHER FINANCING USES</b>				
Transfers to Road Fund	<u>(93,655)</u>	<u>(96,756)</u>	<u>(100,026)</u>	<u>(3,270)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(19,195)	30,089	49,284
<b>FUND BALANCES - BEGINNING</b>	<u>373,325</u>	<u>373,325</u>	<u>373,325</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 373,325</u>	<u>\$ 354,130</u>	<u>\$ 403,414</u>	<u>\$ 49,284</u>

**Township of Waverly**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended March 31, 2008

---

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Interest	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Other - special assessments	<u>77,000</u>	<u>75,000</u>	<u>86,081</u>	<u>11,081</u>
Total revenues	78,000	76,000	86,081	10,081
<b>EXPENDITURES</b>				
Public safety	<u>53,421</u>	<u>53,421</u>	<u>51,317</u>	<u>2,104</u>
<b>NET CHANGE IN FUND BALANCES</b>	24,579	22,579	34,764	12,185
<b>FUND BALANCES - BEGINNING</b>	<u>198,843</u>	<u>198,843</u>	<u>198,843</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 223,422</u>	<u>\$ 221,422</u>	<u>\$ 233,607</u>	<u>\$ 12,185</u>



**Township of Waverly**  
**BUDGETARY COMPARISON SCHEDULE - Road Fund**  
Year ended March 31, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 139,349	\$ 136,634	\$ 104,652	\$ (31,982)
State grants	18,000	17,656	-	(17,656)
Charges for services	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	158,849	154,290	104,652	(49,638)
<b>EXPENDITURES</b>				
Public works	<u>252,504</u>	<u>251,046</u>	<u>221,639</u>	<u>29,407</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(93,655)	(96,756)	(116,987)	(20,231)
<b>OTHER FINANCING SOURCES:</b>				
Transfer from General Fund	<u>93,655</u>	<u>96,756</u>	<u>100,026</u>	<u>3,270</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	(16,961)	(16,961)
<b>FUND BALANCES - BEGINNING</b>	<u>28,011</u>	<u>28,011</u>	<u>28,011</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 28,011</u>	<u>\$ 28,011</u>	<u>\$ 11,050</u>	<u>\$ (16,961)</u>

August 24, 2008

To the Board of Trustees  
Township of Waverly

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Waverly for the year ended March 31, 2008, and have issued our report thereon dated August 24, 2008. Professional standards require that we provide you with the following information related to our audit.

*Our Responsibility under U.S. Generally Accepted Auditing Standards*

As stated in our engagement letter dated March 3, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Waverly are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township of Waverly during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.



1958-2008

The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended March 31, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Waverly's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Township of Waverly as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Waverly's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Waverly and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*